

SYNDICATION LOAN

Of

UNITED COMMERCIAL BANK LIMITED

INTERNSHIP REPORT: SUMMER 2013

November 11, 2013

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Lecturer

BRAC Business School

BRAC University

Subject: Submission of Internship Report

Dear Sir,

It is my great pleasure to submit the internship report titled "Syndication Loan of United Commercial Bank Limited" which has been prepared as an integrated part of the course requirement of my MBA program. My internship was held at United Commercial Bank Limited, Corporate Head Office, Dhaka-1212

It will be highly appreciated if you kindly accept the report. Your positive action regarding this matter would be very much helpful for my academic career. It has also to be mentioned that without your expert advice and cooperation it would not have been possible to complete this report. If you need any further clarification or information in interpreting this analysis, I will be glad to answer your queries.

Sincerely yours

Md. Ziaur Rahman

ID: 11164002

BRAC Business School

BRAC University

Acknowledgement

I begin by thanking the Almighty for my successful completion of the internship report, which is a significant part of the MBA Program. I would like to take the opportunity to thank those people who have given me constant support while doing my internship program.

I would like to thank my honorable faculty, Mr. Showvonick Datta for his kind patience and support for the preparation of this report. I will always be indebted to him for the valuable suggestions and the time that he had spent for guiding me through the report.

I would also like to thank at United Commercial Bank Ltd. Mr. Abu Shamim Mohammad Arif (SVP) Head of Structured Finance Division for being patient and supporting me through out my three month internship program. My endless thanks go to my supervisor Mr. Jhangir Hossain (VP) Structured Finance Division Mr. Sabbir Ahmem (FAVP) Structured Finance Division and Mr. K.M Rohan Ahmed (SEO) Structured Finance Division . They have all provided their precious time and effort to school me through out my time at UCB.

My peers and colleagues at the bank had also been very helpful, and they made my internship a more enjoyable and eventful one. I would like to specially thank Mr. Mahbubur Rahman, Mr. Harun, Mr. Tanvir for being there for me whenever I needed them.

Executive Summery

United Commercial Bank Limited (UCBL) is one of the first generation private sector Banks in Bangladesh, commenced its commercial operations from mid 1983 and has since been able to establish one of the largest network of 119 branches in six different districts.

United Commercial Bank Ltd. offers all kinds of Commercial Corporate and Personal Banking services covering all segments of society within the framework of Banking Company Act and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, and real state to software.

General Banking is the starting point of all the banking operating. It is the department, which provides day-to-day services to the customers. General Banking consists of the many sections in the branch. These are including customer service, account opening/closing, remittance, deposit department, account's department.

General Advance provides loan and advance products to the client for financing different purpose that fulfill the requirements of the bank and have good return to the investment as well as satisfy the client. The loan and advance products are personal loan scheme, small & medium enterprise loan, working capital financing, import financing, export financing, syndicate loan, industrial financing etc.

In order to diversify its portfolio, finance large scale projects through syndication and introduce different capital market products, the management of UCB has recently proposed to set up an independent Structured Finance Division. For this purpose, three expertise of relevant industry including Head of Structured Finance Division has already been recruited.

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1.1. Origin of the Report:

This report is an internship Report prepared as a requirement for the conclusion of the MBA program. As per requirement of MBA program of BRAC Business School. BRAC University after completion of 60 credits a student has to complete a 12 weeks internship program. The primary goal of internship is to provide an on the job exposure to the students and the opportunity for translation of theoretical conceptions in real life situation. Students are placed in enterprises, organizations, research institutions as well as development project. Thus this report has been prepared after completion of 12 weeks of organizational attachment in United Commercial Bank Limited.

UCB is one of the oldest and leading commercial banks of the country. To maintain its leading position in the country United Commercial Bank is always keen to develop long term beneficial and trustworthy relationship with clients. At the same time, they have always upgraded their approaches to achieve profitability.

After the completion of MBA program I was placed in United Commercial Bank for the internship program under the guidance of my faculty advisor Mr.Showvonick Datta .The duration of my organizational attachment was 3 months, starting from 13th May 2013 to 13th August 2013.For successful finishing on my MBA program, I needed to submit this report, which would include an overview of the organization I was attached with and elaboration of the project I was supposed to conduct during the internship period.

I was placed in the Structured Finance Division of the UCB head office, under the direct supervision of Md.Jahangir Hossain, Vice President of Structured Finance Division of United Commercial Bank Limited.

1.2 Objective

Primary Objective

The main objective of this report is to accentuate the services provided by the Syndication Banking of United Commercial Bank and along with the presentation of market Scenario of banking sector of Bangladesh and the current position of United Commercial Bank.

Secondary Objective

- ✿ Identify the major strengths, weaknesses, opportunities and threats of the Syndication Banking of United Commercial Bank.
- ✿ To know about the overall banking Functions.
- ✿ To know about the management style and organizational structure of United Commercial Bank.
- ✿ To identify the risk factors concerned with United Commercial Bank.
- ✿ To suggest necessary measures for the development of United Commercial Bank.

1.3 Methodology

In the organization part, most of the information has been collected from different published articles, journals, web sites and personnel of United Commercial Bank. All the information incorporated in this report has been collected both from the primary sources and as well as from the secondary sources.

1.3.1 Primary Source of Information

- ✿ Observation during the total internship period.
- ✿ Involvement with the operational process.
- ✿ Discussion with officials of United Commercial Bank.

1.3.2 Secondary Sources of Data

- 🌱 Periodic Bulletins published by the Bangladesh bank.
- 🌱 Relevant United Commercial Bank paper and published documents.
- 🌱 Bank's other published information.
- 🌱 Some textbooks.
- 🌱 Internet.

1.4 Scope

The scope of this report is limited to the overall descriptions of the Bank, its services, its position in the industry, and its competitive advantage as a local Commercial Banks. The scope is also defined by the organizational set-up functions, and performances. Here United Commercial Bank is compared with its competitor banks as well.

1.5 Limitations

- 🌱 Due to confidentiality purpose many information could not be included because it can affect the bank's reputation.
- 🌱 The duration of internship period is not sufficient enough to prepare the best report
- 🌱 The website of UCB is not that much rich to collect data.
- 🌱 Preparation of this report took a long time than expected as the officials were very busy and could not give the time to provide the information
- 🌱 The findings are not statistically validate.
- 🌱 The website of UCBL does not contain updated information.

1.6 Report Organization

This report is divided into three parts. In the first part I have tried to focus on the Banking industry of Bangladesh .In the second part United Commercial Bank's history, mission, vision product and services and a comparative study of the performance of the products is provided in a descriptive manner. The third part is the project part.

1.7 Abbreviation:

Abbreviations used throughout the report are as follows:

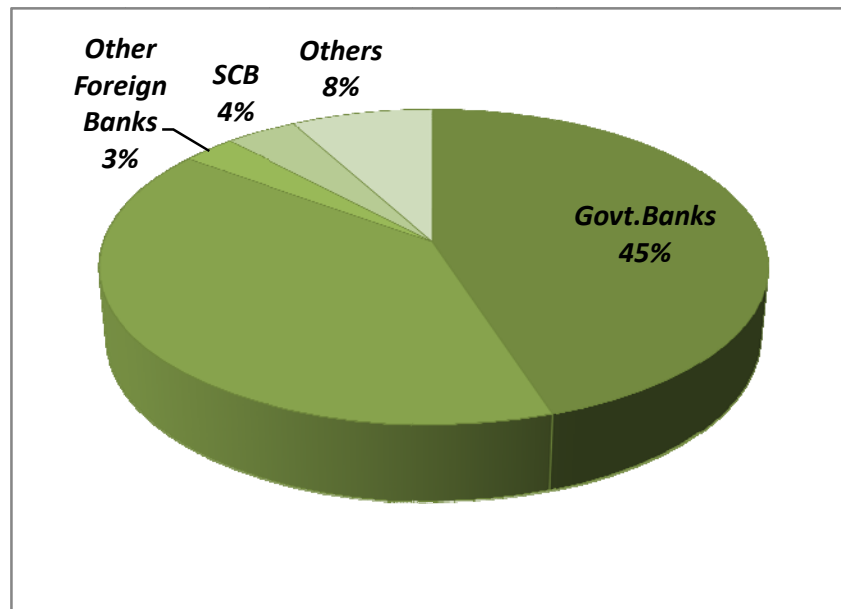
 NCB	Nationalized Commercial Bank
 PCB	Privatized Commercial Bank
 SB	State owned Specialized Bank
 UCB	United Commercial Bank
 EBL	Eastern Bank Limited
 MIS	Management Information System
 NGO	Non-Government Organization
 NCS	National Collection Service

2.1 Summary of Banking Sector in Bangladesh

Banking Industry in Bangladesh

The banking industry in Bangladesh consists of four categories of banks. Public Banks- that is the state owned banks. Private Commercial Banks- that is privately owned banks, foreign Commercial Banks- that are the subsidiaries of multinational banks and Specialized Development Banks-like Bangladesh Krishi Bank, Bangladesh Shilpa Bank, Grameen Bank etc. The number of banks in all now stands at 53 in Bangladesh with market size around \$32 Billion (Funds under management)

Figure 2.1: Market share by Funds under management



Out of the 53 banks, 4 are Nationalized Commercial Banks (NCBs), 32 Local Private Commercial Banks, 9 Foreign Banks and the rest 8 are Specialized Banks. Typically all these categories of banks provide more or less the same services, but some banks are more efficient in providing particular services comparatively. For example the foreign banks are far more efficient in foreign exchange because of their large network throughout the world; this enables them to offer competitive rates.



Bangladesh Bank



The currency of Bangladesh is Taka (SWIFT code BDT). The central bank is Bangladesh Bank that regulates the banking system within the country. It sets the lower and upper bands of interest rates, with the bank fixing their own respective interest rates within these bands according to the market trends. These rates must be advised to the Central Bank. Bangladesh Bank also specifies the nature of the accounts that different entities may open, the nature of transactions allowed in such accounts, and the interest rates structures for the various types of accounts that are available. Bangladesh Bank has Clearing Houses in seven different locations, namely Dhaka, Chittagong, Khulna, Rajshahi, Bogra, Sylhet and Barisal. All commercial banks including United Commercial Bank Limited are direct members of respective clearing house within each of the local clearing zones in which they have a branch.

Bangladesh Bank monitors and controls the functions and activities of these banks. Its prime jobs include issuing of currency, maintaining foreign exchange reserve and providing transactions facilities of all public monetary matters. It is also responsible for planning the government's monetary policy and implementing it thereby. The Bangladesh Bank has a governing body comprising of nine members with the Governor as its chief. Apart from the head office in Dhaka, it has nine more branches, of which two in Dhaka and one each in Chittagong, Khulna, Rajshahi, Bogra, Sylhet, Rangpur and Barisal.

source: <http://www.reportbd.com>

Current Scenario

The contribution of the banking industry to the overall GDP of the country is quiet low and the increase in the contribution of the banking industry over the last ten years has been very little. The graph below shows how the contribution of the banking sector to overall GDP has changed over the last ten years. Therefore at present there are adequate opportunity for banks to increase its base and overall contribution to the growth of the economy. The numbers of companies and foreign investments have been increasing significantly over the last few years. Banks has to identify such opportunities and find out the untapped market options that still exist in the economy to further boost their contribution.

Table2.1. Banking Sector's contribution to GDP in Bangladesh

Periods	Banking sector contribution to GDP (in millions of tk)	Percentage
1993	2038	1.54%
1993	2115	1.52%
1995	2175	1.49%
1996	2284	1.51%
1997	2400	1.51%
1998	2517	1.52%
1999	2646	1.52%
2000	2786	1.52%
2001	2937	1.54%
2002	3098	1.54%
2003	3270	1.55%
2004	3489	1.59%
2005	3722	1.62%
2006	3952	1.76%
2007	3976	1.85%
2008	3987	1.91%
2009	3995	1.95%

The country's banking structures is segmented with NCBs and PCBs holding 33.1 % and 51.4 % of total assets respectively. The financial system was also repressed in the 1970s and early 1980s in the presence of interest rate and credit ceilings. As per of economic reform programs, credit and other restrictions were phased out from the late 1980s.

2.2 Overview of Transaction Products in Bangladesh

Transaction Products of the Banking Industry in Bangladesh

Transaction products play key roles in smoothing retail banking and settling payment obligations in business to business and business to customer activities. In Bangladesh, payment and transaction products fall into two broad categories: traditional products and modern technology driven products and services. The traditional products came into existence since the inception of banking business in the region with modern technology driven products and services have been introduced in the 1990s.

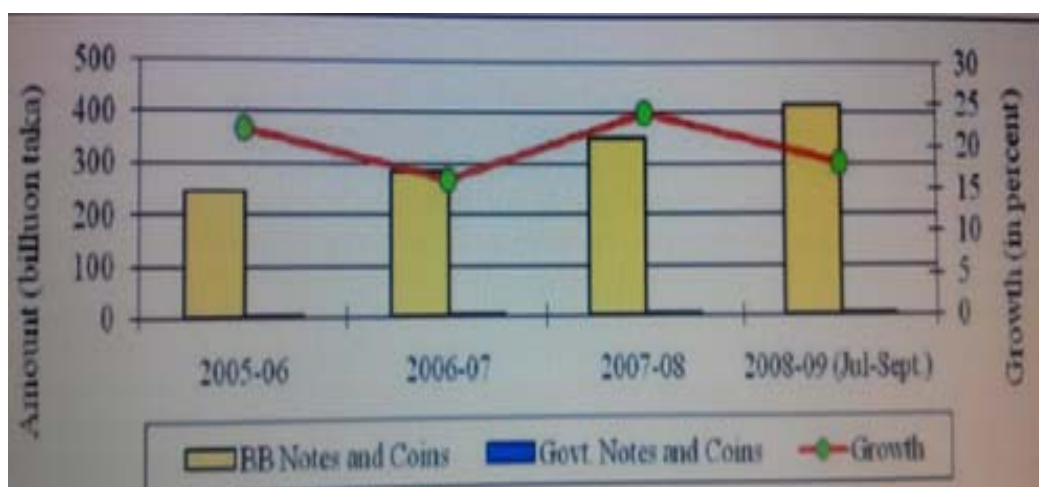
The traditional products and services cover a wide range such as cheques, bill of exchange, promissory notes, demand drafts, mail transfers and telegraphic transfers. Still these are widely used especially by the rural customers. In addition to these products, banks especially working in the urban areas offer several modern technology driven products and services including debit cards, credit cards, ATM cards, POS, online, internet, tele- banking, SWIFT, and router. As the modern products require large investments in bank branches and IT literacy both on the part of the bank employees and bank customers, these products and services are mostly concentrated in the urban areas. The urban customers also prefer modern banking products and services as these are time saving, smart and convenient.

In order to support the increasing demand of different stakeholders and raise the banking services at par with international standards, Bangladesh Bank has taken several measures to modernize the national payment and settlement system. The Bangladesh Automated Clearing House (BACH) and Bangladesh Electronic Fund Transfer Network (BEFTN), two important means of e- banking, are currently under implements that would bring about radical improvements in daily payment and transaction activities.

Payment and Transaction Product: Cash

At the end September 2008, the amount of issued currency (notes and coins issued by the Bangladesh Bank and the Government Bank) stood at Tk 421.0 billion which was higher by 65.0 billion (18 percent) over Tk 356.0 billion in June 2008. The issuance of notes and coins recorded 24 percent growth in FY08 compared with 16 percent in FY07 and 22 percent in FY06 (Figure 2.1). The significance growth in issuance of notes and coins over the recent fiscal indicates that cash is still the dominant and popular product and transaction product.

Figure 2.1: Issuance and Growth of Notes and Coins



Note: Bangladesh Bank notes and coins include notes of Tk 5 and above and coins of Tk 5 while Government notes and coins include notes of Tk 1 and Tk 2.

Source: Monthly Economic Trends, November 2009, Bangladesh Bank

Payment and Transaction Product: Non- Cash

The non- cash payment and transaction products in Bangladesh cover traditional products and services as well as modern and innovative technology driven products and services. Cheques, demand drafts and payment orders are widely used non- cash traditional products since the inception of banking business in the country.

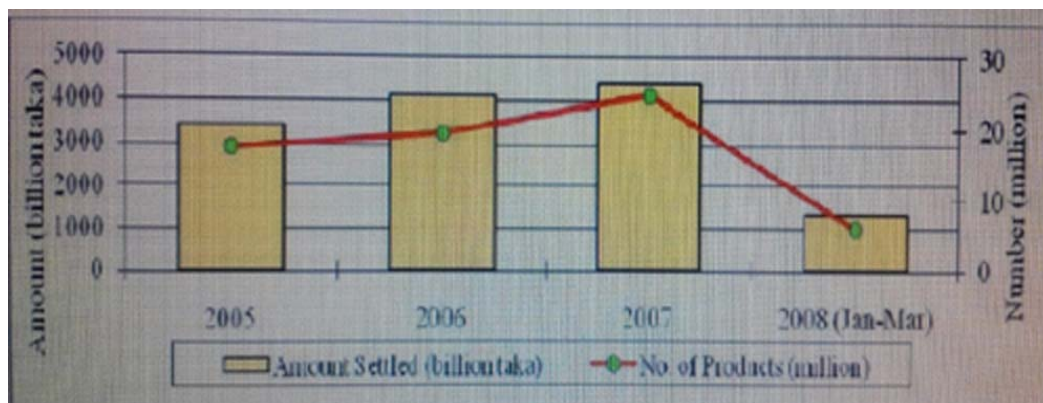
Modern technology driven products and services were adopted by the scheduled banks during late 1990s. Moreover the banks have been extending their customer services through introducing new technologies on a regular basis. In addition to debit cards, credit cards, ATM, POS, individual bank on- line networks, tele- banking, limited internet facilities, SWIFT and router, few banks have recently adopted cash deposit machines (CDM) facilitating 24- hour cash deposit up to Tk. 20,000 and SMS banking allowing the customers with remote balance inquiry, mini statement of last three transactions, payment and due bill inquiry of credit cards and SMS alert system for deposits of withdrawals of Tk. 100,000 and above, and FDR maturity.

The Traditional Products and Services

Among the traditional products, the cheque is still the dominant medium of transaction in terms of value of payment. During 2006, the clearing house of Bangladesh Bank and Sonali Bank together cleared and settled Tk. 4095 billion against a total of 20 million payment instruments which increased to Tk. 4381 billion against 25 million instruments during 2007.

During January- March 2008, the amount settled through clearing houses was Tk. 1328 billion against a total of 6 million payment instruments. Thus the volume of transactions and the number of payment instruments used for transaction purposes show that non cash payment and transaction products are crucial to meeting payment obligations in Bangladesh.

Figure: 2.2. Clearing House Returns



Source: Bangladesh Bank Bulletin, January- March 2009

Modern and Innovative Products and Services: Transaction Volume

Between end- December 2007 and end-June 2008, the volume of transaction through credit cards grew by 59 percent in which the PCBs are the major contributions (from Tk. 4.6 billion to Tk. 8.2 billion)

Table: 2.2: Payments and transaction through Modern and Innovative Products and Services

Fig. in billion TK.

Bank category	Modern and innovative products				Modern and innovative services					
	Credit card		Debit card		ATM		POS		SWIFT	
	Dec 07	Jun 08	Dec 07	Jun 08	Dec 07	Jun 08	Dec 07	Jun 08	Dec 07	Jun 08
NCBs	0.0	0.0	0.2	0.2	0.2	0.2	0.0	0.1	0.0	0.0
SBs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.8	36.0
PCBs	4.6	8.2	4.6	7.0	14.2	17.8	1.3	1.4	241.4	261.5
FCBs	2.3	2.7	9.7	12.8	17.9	22.5	0.1	0.3	314.0	340.6
Total	6.9	10.9	14.4	20.0	32.3	40.6	1.4	1.8	571.1	638.2
Growth (percent)	59		39		26		23		12	

Source: PAU Survey.

The transactions through debit card increased by 39 percent between December 2007 and June 2008 mainly due to significant increase in transactions by PCBs from Tk 4.6 billion to Tk. 7.0 billion; and by FCBs from Tk. 9.7 billion to Tk. 12.8 billion. The volume of transaction through ATM increased from Tk. 17.9 billion to Tk. 22.5 billion for FCBs which contributed significantly to 26 percent growth in ATM transaction through POS and SWIFT grew by 23 percent and 12 percent respectively (Table 2.2)

3.1 An overview of United Commercial Bank Limited

United Commercial Bank Limited (UCBL) is a first-generation private commercial bank established in Bangladesh in the year 1983 under the Companies Act. Since inception, it has committed to provide high quality financial services to the people of this country to accelerate economic development of the nation. As such, it has been working for stimulating trade and commerce, accelerating the pace of industrialization, boosting export, creating employment opportunity, alleviating poverty, raising standard of living of the people etc and thereby contributing to the sustainable development of the country. At present, the bank has a network of 130 branches in both rural and urban areas of the country. The lion share of the Bank earnings comes from credit operation and the existence of the Bank depends on quality of asset portfolio, efficient management of credit risk is of paramount importance.

3.2 History of United Commercial Bank Limited in Brief

UCB is one of the oldest and leading commercial banks of the country. United Commercial Bank Limited was incorporated in Bangladesh as Banking Company under the Companies Act, 1913. It commenced its operation on June 26, 1983. As a scheduled commercial bank of the country the banks activities are subject to the effective control, supervision and guidance of the Bangladesh Bank (Central Bank). The bank is primarily oriented towards extending financial assistance in the trade and commercial sector besides lending in the industrial sector. United Commercial Bank Limited has established a largest network throughout its 130 branches all over the country as on 01.04.13 among the first generation banks in the private sector. Out of its 130 branches Dhaka Division has 60 branches, Chittagong Division has 39 branches, Sylhet Division has 14 Branches, and Rajshahi Division has 7 branches, Khulna Division has 7 branches and Barisal Division has 1 branch and in Rangpur 2 branches. The Bank has set up a Zonal Office at Chittagong to facilitate services to the customers. The numbers of authorized dealer branches are 19. Besides the bank currently works with 329 correspondents covering 102 important countries in all the continents of the World which is continuously expanding to meet the growing cross-border banking needs and expectations of the customers, enabling the Bank to maintain its superior position in international banking. Moreover, the bank has arrangement with a number of Exchange Houses at Singapore, U.A.E, Oman, Qatar, and Kuwait to facilitate remittance from expatriate Bangladeshis.

Corporate information

Name	United Commercial Bank Limited
Legal Status	Public Limited Company
Date of Incorporation	26 June 1983
Date of Commencement of Business	27 June 1983
Vice Chairman	Mr. Showkat Aziz Russell
Managing Director	Mr. Muhammed Ali
Company Secretary	Mr. Mirza Mahmud Rafiqur Rahman
Date of Listing with DSE & CSE	30 November 1986 & 15 November 1995
Authorized Capital	Taka 15,000 million
Paid up Capital	Taka 8,366 million
Total Manpower	3,374
Number of Branches	131
Number of AD Branches	25
Number of Agri. Branches	02
Number of ATM Booths	81
Auditors	Syful Shamsul Alam & Co. Chartered Accountants
Tax Consultants	Mr. Md. Mosharrof Hossain, Advocate
Legal Consultant	T.I.N. Nurun Nabi Chowdhury
Rating Agency	Credit Rating Information & Services Ltd. (CRISL)
Registered office	CWS(A) -1 , Gulshan Avenue Dhaka-1212 , Bangladesh
Telephone	02 8852500
E-mail	info@ucbl.com
Website	www.ucbl.com
SWIFT	UCBL BDDH

Management

At present, Mr. Muhammed Ali is the Managing Director of UCBL who is held responsible for all the branding of the bank and its achievement in the market. The Bank has highly dedicated, skilled and experienced employees in its team who are successfully led by the Managing Director who is also a dynamic banker and has a very good network in the market

VISION OF UCB

To be the Bank of first choice through maximizing value for our clients, shareholders & employees and contributing to the national economy with social commitments.

Visions for Future:

To become the market leader, UCBL is planning to take some initiatives very soon. They are:

- ✿ UCBL is planning to increase their ATM booths by this year to expand their service and serve their customers up to root level.
- ✿ They are planning to introduce core banking which will save time of their employees and help them to serve their customers more quickly and hassle free way.
- ✿ UCBL recognizes the need for contribution in the society. Therefore, they are planning to contribute more in the CSR activities in the upcoming year.
- ✿ They are going to increase the amount of SME loan for the entrepreneurs. So that they could help the socio economy infrastructure to develop faster.
- ✿ UCBL emphasizes on having efficient workforce to serve their customers in the best way possible.

MISSION OF UCB

To offer financial solutions that create, manage and increase our clients, wealth while improving the quality of life in the communities we serve

We shall be at the forefront of national economic development by:

- ✿ Setting industry benchmarks of world class standard in delivering customer value through our comprehensive product range, customer service and all our activities.
- ✿ Maintaining the highest ethical standards and a community responsibility worthy of a leading corporate citizen.
- ✿ Anticipating business solutions required by all our customers everywhere and innovatively supplying them beyond expectation.
- ✿ Continuously improving productivity and profitability, and thereby enhancing shareholder value.
- ✿ Building an exciting team-based working environment that will attract, develop and retain employees of exceptional ability who help celebrate the success of our business, of our customers and of national development.
- ✿ Wants to be leader among banks in Bangladesh and make its indelible mark as an active partner in regional banking operating beyond the national boundary.

CORE VALUES

- ✿ We put our customers first
- ✿ We emphasize on professional ethics
- ✿ We maintain quality at all levels
- ✿ We believe in being a responsible corporate citizen
- ✿ We say what we believe in
- ✿ We foster participative management

OBJECTIVE OF UCB

Their objective is to benefit all of their stakeholders including their shareholders, customers, staff and the communities in which they operate. They strongly support the trend towards delivering shareholder value in a socially, ethically and environmentally responsible manner.

FIVE VALUES OF UNITED COMMERCIAL BANK 3.3 LIMITED

United Commercial Bank has five values, which are critical to their success. These values determine how the employees achieve their goals, the way they work together and how it feels to be a part of United Commercial Bank. In brief these values are:

Courageous

Being courageous is about confidently doing what is right often the task may seem insurmountable but with courage and tenacity, the odds can be overcome. A truly courageous act both inspires and builds character.

Responsive

How UCB responds to customers and how it will influence customer's belief in their commitment to words them. A proactive response is often unexpected and more effective in such case. It clearly demonstrates organization's willingness to beyond the unexpected.

Creative

Creativity belongs to those who are excited by challenges and engage themselves in fresh thinking and an open mindedness. Creative thinkers are not limited by convention but are those allow their minds to soar beyond predictable solutions. UCB believes that they are a creative organizational as well.

Trustworthy

Trust is the foundation of every successful relationship. UCB trusts because the organization believes in the sincerity of their promise. They also believe that building trust can take forever, but losing it takes only a moment.

PRODUCT PROFILE

UCB has a set of versatile products & services:

Deposit Products

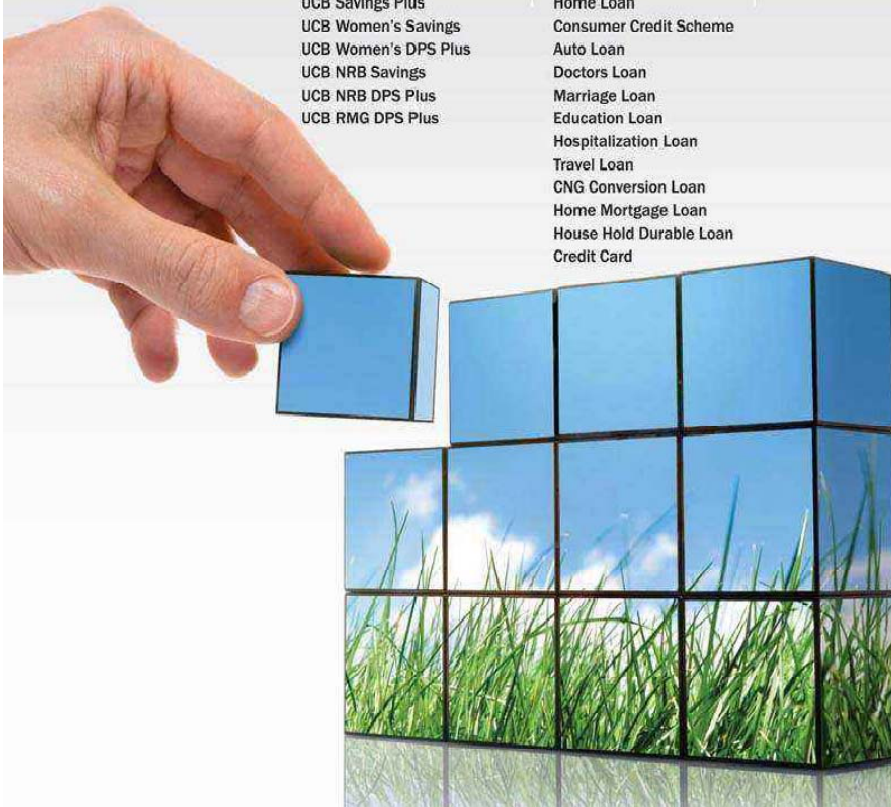
Current Deposit
Savings Deposit
Special Notice Deposit
Fixed Deposit
Foreign Currency Deposit A/C
UCB Multi Millionaire
UCB Money Maximizer
UCB Earning Plus
UCB DPS Plus
UCB Youngsters Savings
UCB Youngsters DPS
UCB Savings Plus
UCB Women's Savings
UCB Women's DPS Plus
UCB NRB Savings
UCB NRB DPS Plus
UCB RMG DPS Plus

Loan Products

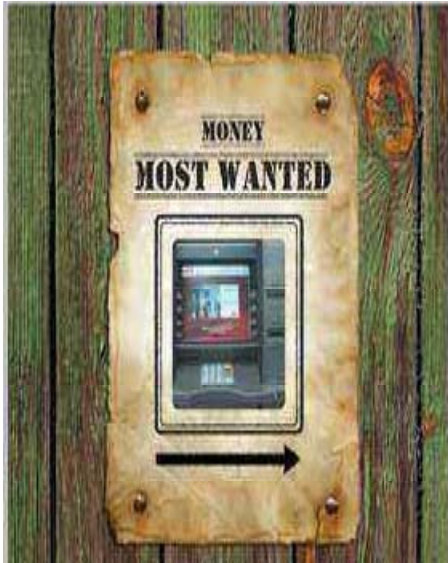
Trade Finance
Industrial Finance
Import Finance
Export Finance
Loan Syndication
Working Capital Finance
Packing Credit
Transport Loan
Lease Finance
Hire Purchase Loan
House Building Loan
Home Loan
Consumer Credit Scheme
Auto Loan
Doctors Loan
Marriage Loan
Education Loan
Hospitalization Loan
Travel Loan
CNG Conversion Loan
Home Mortgage Loan
House Hold Durable Loan
Credit Card

Other Services

Western Union Money Transfer
SMS Banking Service
Online Service
Inward & Outward Remittances
Travelers Cheques
Underwriting and Bridge Financing
Locker Service
Offshore Banking
Loan Syndication



UCB Product Profile



VISA Debit Card

Withdraw money (minimum Tk. 100) with absolutely no charge from any UCB and Dutch Bangla ATM 24/7 with this card. Transferring and withdrawing money from different personal accounts can be made with the same card. It also gives access to the largest network of VISA POS terminal at different shops.

VISA Credit Card

Shop, dine and travel with UCB VISA Credit Card and get discounts. Only 18 transactions can waive annual fees. The card comes along with 3 supplementary cards with no annual fees.





Youngsters Savings Account

'UCB Youngsters Savings Account' is a condition free Savings Account which offers daily product basis interest, where no conditions will apply on transactions and amounts.

Youngsters DPS

'UCB Youngsters DPS' is a recurring monthly savings scheme for Youngster students of any school/institution. It is a monthly savings plan created for developing the savings habit of Youngsters for their better future and turning small savings into a large amount of money over a certain period of student life.





Home Loan

From buying an apartment to building/renovating your own home get up to Tk. 100 lacs as loan and repay within a 20 year period of time.

Car Loan

Get 30% of the total value of a car as loan and repay within upto 60 installments.





Women's Savings & DPS

This product has been designed with special interest rate to encourage women to develop savings habit for their better future and turn small savings into a large amount over a certain period of time.

Travel Loan

Discovering new places is now more possible with UCB Travel Loan. With a repayment period of 36 months new destinations just got closer.





NRB Savings & DPS

This is a recurring monthly savings scheme for Non-Resident Bangladeshi Citizen. It is a monthly savings plan designed for developing the savings habit of NRB citizens and turn small savings into a large amount of money over a certain period of time.

RMG DPS Plus

UCB has designed to provide the opportunity of your better future by developing savings habit and turn your small savings in to a large amount after a certain period of time.





DPS Plus

Save Tk. 500 to Tk. 25,000 for the period of 5 to 10 years and earn huge profit at the time of maturity. Avail loan facility upto 90% of deposited amount instantly.

Multi- Millionaire Scheme

Be a multi millionaire within a period of 5 to 10 years and earn Tk. 10 lacs to Tk 1 crore at the end of maturity. Avail loan facility upto 90% of the deposited amount instantly.





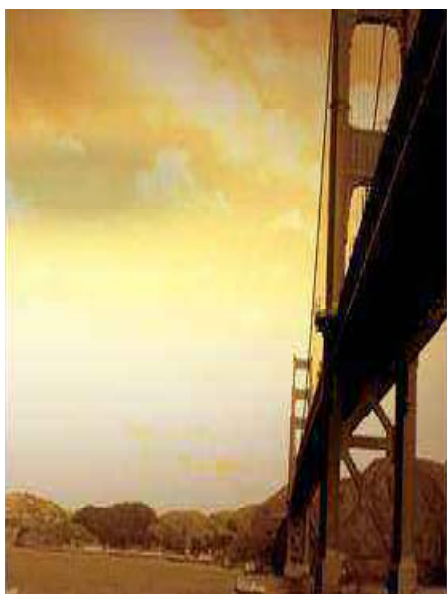
Money Maximizer

Deposit Tk. 25,000 to Tk. 25,00,000 and get double the amount just after 6 years. Avail loan facility upto 90% instantly.

Earning Plus

Make a deposit of Tk. 50,000 or its multiple for 3 or 5 years' term and get extra amount monthly or quarterly. Avail loan facility upto 90% instantly.





Offshore Banking

No matter how far the distance is or how complex the process might be, we will be there to cater all your Offshore Banking needs.

Navigating your International trade across the globe will be much easier from now on.

Remittance

Centralized Foreign Remittance Centre, located at the central branch of UCB, delivers money to the clients very efficiently. UCB Remittance has extremely competitive exchange rate, fastest delivery time and online banking facilities.



3.4 CONTRIBUTION TO NATIONAL ECONOMY

At UCB we always recognize that we have certain responsibilities to the development of the society and the country as a whole. We aspire to be known as a bank that builds enduring relationship with and delivers value for our clients, shareholders, employees and community where we work.

3.5 DIVISIONS OF UCB

If the jobs are not organized considering their interrelationship and are not allocated in a particular division it would be very difficult to control the system effectively. If an organization is not furnished in an organized way it will be fail to achieve its goal. United Commercial Bank Limited organized all its divisions in proper way.

- ✿ Human Resources & Management Division
- ✿ Finance and Accounts Division
- ✿ International Division
- ✿ Structured Finance Division
- ✿ General Service Division
- ✿ Credit Administration Division
- ✿ Credit Risk Management Division
- ✿ Corporate Banking Division
- ✿ SME Division
- ✿ Computer and Information Technology Division
- ✿ Share Division
- ✿ Card Division
- ✿ Internal Control & Compliance Division
- ✿ General Banking & Development Division
- ✿ Recovery Division

Industrial Credit Division

Legal Division

The Operational Network Organ gram





Junior Officer

4.1 Work Area

I started my work in the Structured Finance Division. Specifically, I worked in the Syndication Loan .This department is particularly responsible for developing loan and relationship to its customer. And up to data information to the management department.

SYNDICATION

Syndication means joint financing by more than one bank to the same client against a common security. Loan syndication most often occurs in situations where a borrower requires a large sum of capital that may either be too much for a single lender to provide, or may be outside the scope of a lender's risk exposure levels. Thus, multiple lenders will work together to provide the borrower with the capital needed at an appropriate rate agreed upon by all the lenders.

Mainly used in extremely large loan situations syndication allows any one lender to provide large loan while maintaining a more prudent and manageable credit exposure, because the lender isn't the only creditor. Loan syndication is common in New Project, financing BMRE mergers, acquisitions and buyouts, where borrower often need very large sums of capital to complete a transaction, often more than a single lender is able or willing to provide.

Syndication financing is a growing concept in Banking Arena of Bangladesh. Syndicated finance diversifies the risk of one bank on a single borrower and increases the quality of loan through consensus or cumulative judgment and monitoring of different banks / financial institutions.

4.2 Structured Finance Division of United Commercial Bank

A service that generally involves highly complex financial transactions offered by many large financial institutions for companies with very unique financing needs. These financing needs usually don't match conventional financial products such as a loan.

4.3 Key Products / Services of Structured Finance Division

- Investments
- Loan Syndication
- NBFIs
- Agency/Trustee
- Legal & Documentation



4.3.1 SYNDICATED LOAN

- Now a day Syndication loans represent a substantial portion of the commercial and industrial loan portfolios of large banks.
- A syndicated loan involves two or more banks contracting with a borrower, typically a large or middle market corporation, to provide funds at specified terms under the same credit facility.

4.3.2 INVESTMENT

An Investment Bank is a financial institution that assists individuals, corporations and governments in raising capital by underwriting and/or acting as the client's agent in the issuance of securities. An investment bank may also assist companies involved in mergers and acquisitions, and provide ancillary services such as market making, trading of derivatives, fixed income instruments, foreign exchange, commodities, and equity securities

4.3.3 NBFİ

A non Banking institution which is a company and which has its principal business of receiving deposits under any scheme or arrangement or any other manner, or lending in any manner is also a non- banking financial company (Residuary non- banking company)

4.3.4 AGENCY/ TRUSTEE

- ✚ The Agency function of the Division comprises of all sorts of post sanctioning activities that include:
- ✚ Processing NBFİ accounts and maintaining Agency relationships with Banks and NBFİs.
- ✚ Monitoring and supervising of existing Loan portfolio comprises of participating syndication accounts and Financial Institutions and performing agency operations.

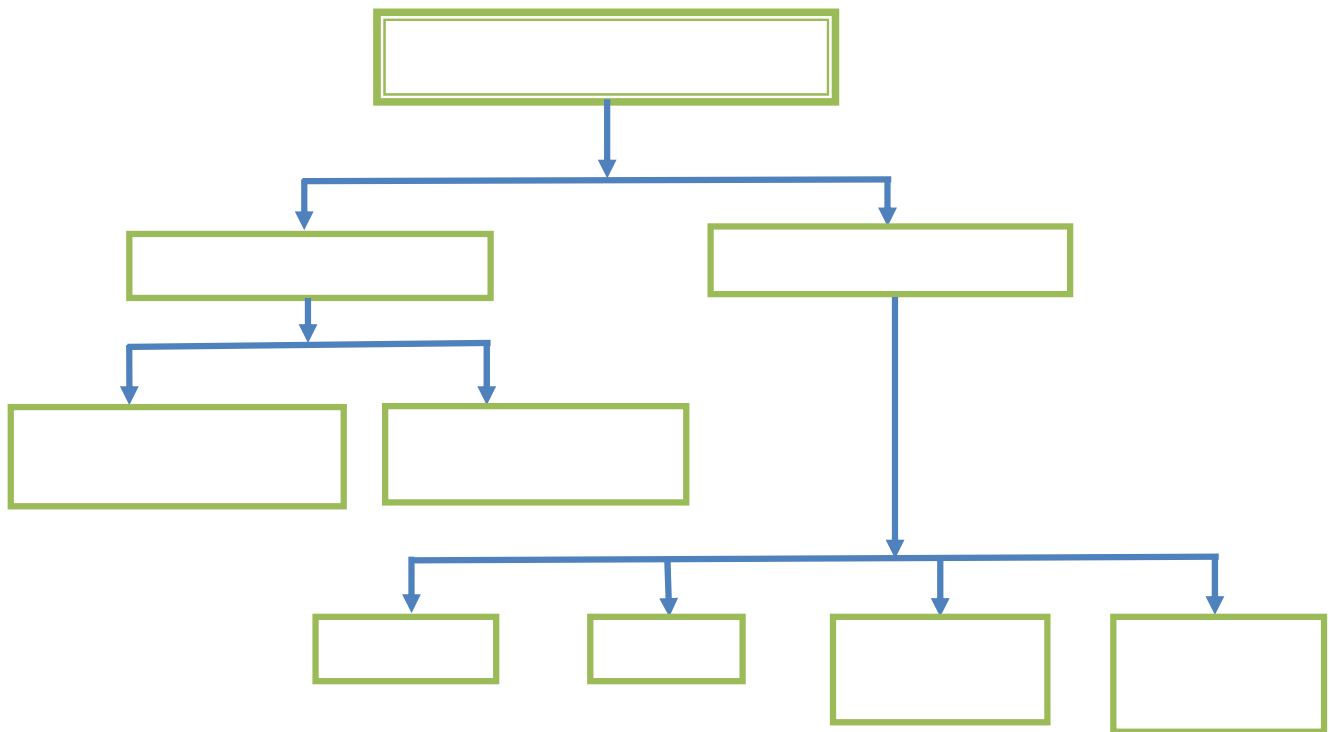
4.3.4 SYNDICATED LOAN DOCUMENTATION

- ✚ Facility Agreement
- ✚ Pari Passu Security Sharing Agreement
- ✚ Escrow Account Agreement
- ✚ Agreement for Assignment of Insurance
- ✚ Agreement for Assignment of Contract

- ✿ Projects Funds and Share Retention Agreement
- ✿ Subordination Agreement
- ✿ Deed of Mortgage
- ✿ Letter of Hypothecation (machinery to be purchased)
- ✿ Letter of Hypothecation (existing machinery)
- ✿ Letter of Hypothecation (Balance on the account of Escrow Account)
- ✿ Power of Attorney to sell the hypothecated machinery
- ✿ Letter of Undertaking of all the Shareholders
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4.4 Syndication Loan of United Commercial Bank in Brief

Syndicated loan is offered by a group of lenders who work together to provide funds for a single borrower. Our clients are corporate body, large project, government. UCBL routinely provides two types of loan syndication include.



4.4.1 Syndication Term Loan

A Term loan is defined as a loan from a bank for a specific amount that has a specified repayment schedule and a floating interest rate. Term loans almost always mature between one and 10 years. For example many banks have term-loan programs that can offer small

businesses the cash they need to operate from month to month. Often a small business will use the cash from a term loan to purchase fixed assets such as equipment used in its production process. A term loan is simply an installment loan, such as a loan one would use to buy a car. The borrower may draw on the loan during a short commitment period and repays it based on either a scheduled series of repayments or a one-time lump-sum payment at maturity (bullet payment).

TERM LOAN (MACHINERY & EQUIPMENT)

Deschutes Capital structures and arranges commercial equipment loans, term loans and financing for capital equipment, industrial machinery and industrial equipment, medical equipment and other commercial machinery and equipment. In this increasingly competitive international economic environment, managers need to continually monitor their capital equipment investment and capital expenditures budget. Whether you need a capital equipment loan or financing to:

- 🚦 improve productivity
- 🚦 enhance a manufacturing process or
- 🚦 expand production capacity,

4.4.2 Syndication Working

CASH CREDIT

Cash Credit is one type of Advance made by Banks to its Borrowers. By granting this facility Bank allows borrower to withdraw money up to certain fixed amount sanctioned by the Bank. Certain securities and guarantees are to be provided by the borrower as per Bank's rules and it is to be renewed every year as specified at the time of granting this facility. If borrower fails to repay the amount Bank can take action as per rules and conditions fixed by the Banks.

OVERDRAFT

An extension of credit from a lending institution when an account reaches zero. An overdraft allows the individual to continue withdrawing money even if the account has no funds in it. Basically the bank allows people to borrow a set amount of money.

What is an overdraft?

An overdraft is a credit facility loaded to your current account. This means that you have the convenience of borrowing on the same account that is used for your daily banking transactions.

The benefits of an overdraft?

- ✿ An overdraft provides you with cash for unplanned expenses.
- ✿ An overdraft will provide you with the comfort of knowing that you have instant access to extra cash for emergencies.
- ✿ You can use as much of your agreed overdraft limit as you need whenever you need it. The total limit is always available to you for use.
- ✿ You only pay interest on the portion of your overdraft used in any given month.
- ✿ The interest rate is linked to prime so that you receive the benefit when prime rates decrease.
- ✿ No monthly repayment required. Only a deposit into your current account, preferably your salary.
- ✿ You can take up a R500 overdraft limit with no Initiation fee and no monthly service fee, which can be used as a safety buffer on your current account.
- ✿ Once you have an overdraft, you can conveniently increase or decrease your limit via any of Standard Bank's self service channels.
- ✿ You have the option of taking out insurance on your overdraft facility. This will give you peace of mind knowing that your loan will be settled in full in the event of disability, dreaded disease or death.

LOAN AGAINST TRUST RECEIPT

This is a loan against a Trust Receipt provided to the client when the documents covering an Import shipment is given without payment. Under this system, the client will hold the goods of their sale proceeds in trust for the bank, until the loan allowed against the Trust Receipt is fully paid

Features and Benefits

- ✿ Easy Documentation.
- ✿ Fast Processing.
- ✿ Allow an importer to take possession of the goods for resale.
- ✿ Increase the present cash flow of the importer to improve the financial condition and strengthen the financial ability.
- ✿ Global loan limit exposure for the client.
- ✿ Online banking facilities for repayment.

Requirements

- ✿ Application received from the customer for LTR facility.
- ✿ Photograph of signatory to be attested by Chairman of the company.
- ✿ Copy of valid trade license
- ✿ Official seal with designation
- ✿ Tax Certificate
- ✿ Transaction Profile

LC, BC, BANK GUARANTEE

The Letter of Credit has been a key means of payment in international trade for many years. It continues to play an important role in world trade today. A simple reason for its use is that the seller will not usually ship without a bank's assurance of payment. While this is a major factor in its continued use, the Letter of Credit offers other advantages for the buyer and seller. Both buyers and sellers profit from the distinct uniqueness of a Letter of Credit. However, both parties must be aware of what a Letter of Credit does not do

Other definitions:

"A written commitment to pay, by a buyer's or importer's bank (called the issuing bank) to the seller's or exporter's bank (called the accepting bank, negotiating bank, or paying bank). A letter of credit guarantees payment of a specified sum in a specified currency, provided the seller meets precisely-defined conditions and submits the prescribed documents within a fixed timeframe. These documents almost always include a clean bill of lading or air waybill, commercial invoice, and certificate of origin. To establish a letter of credit in favor of the seller or exporter (called the beneficiary) the buyer (called the applicant or account party) either pays the specified sum (plus service charges) up front to the issuing bank, or negotiates credit."

4.5 Processing Syndication Loan

The process of Syndication Loan gets initiated when a prospective customer approaches the Bank with a loan request. The system should be able to perform the following activities

- ✿ Capture the details of the customer and .automatically generates a synopsis of the proposed facility.
- ✿ On approval of the competent authority the system will generate a Term Sheet by fetching all the information incorporated in the system for preparing synopsis and the other terms & conditions, covenants and other information for further approval of the Board/Management.
- ✿ Store all the information mentioned in the Information Memorandum (IM), which covers the total salient features of the project (i.e. Management aspect, financial aspect, Technical aspect, Marketing aspect, Economical aspect etc.)
- ✿ Maintain Documents Checklist, obtainment checkbox and capturing scanned document
- ✿ Maintain Security information – details of collaterals, creation of charges etc
- ✿ Maintain Participants' information
- ✿ Maintain Agents' information
- ✿ Capture existing and projected financial information
- ✿ Capture Credit score/rating and calculate different ratios assessment

4.5.1 A Borrowers Approach in Seeking Bids

The borrower is likely to advise its principle banks of its intention to seek competitive bids.

The three usual methods are –

- ✿ Selective bidding with key relationship banks.
- ✿ Selective biddings with bank having specialize knowledge and expertise.
- ✿ Open bidding.

In all bidding situation the borrower stipulate some conditions, such as amount and timing, and in some cases suggest a range of acceptable rate, terms and conditions

4.5.2 Pricing the Transaction

Skill of the RM manager, syndication unit and the credit approval department is required. A team must be formed to do brainstorming between the objectives of Winning the mandate, organizing a successful syndication and maintaining the credit standards of the bank. RM must understand the sensitive issue and keep dialogue with the borrower. The syndication unit concentrates on a number of variables when considering the price for the transaction.

- ✿ The proposed of the facility.
- ✿ The amount and proposed final maturity of the facility. Taking into consideration structural details.
- ✿ The quality of the credit covenants
- ✿ The covenant package, pricing, and structure are inter-related.
- ✿ A number of banks have introduced computer models to assist in solving the pricing equation. These models are based on historical, sectarian deal-analysis and take account of the actual loss or provisioning experience in each sector.
- ✿ A syndication department will use all types of market intelligences to assist in forming its view of the most appropriate structure and price for a particular deal.
- ✿ Another source of data is the secondary market, both in loans and in assets swaps.
- ✿ In its quest for accurate information the syndication unit can undertake discreet market research.

4.5.3 Negotiation with the Borrower

- ✿ The difference between a winning and a losing bid on a transaction of several hundred of millions of dollars can be as little basis point or even a fraction of a basis point which perhaps only a few thousand dollars.
- ✿ Once the borrower need and requirement have been identified and explored in considerable dept a bidding bank must commence its marketing in support of the offer which it hope to make.
- ✿ Before the offer a bank will need to organize internal credit approval and the term of approval which will influence the bid.
- ✿ One of the most important factors for a borrower to consider is the track record of the bidding bank.
- ✿ Another factor which is vital for successful syndication is for the mandated bank to have specialized knowledge of the industry sector in which the borrower operates. Specialized sector include shipping, aircraft, property and project finance.

4.5.4 Preparation of the Information Memorandum

- ✿ Two methods are available.
- ✿ First method are suitable for highly rated borrower, whose report are available By rating agency, brokers, the press or any other useful source of information.
- ✿ The second method of disseminating information on the borrower is to prepare an information memorandum. This is the formal document usually prepared by the arranger in conjunction with the borrower. It contains information on all the principle credit issues of the transaction and is the most important document in the syndication process.
- ✿ The arranger use information provided by the borrower. The information is presented in the form which is factual, eliminate any subjective description from the text and avoid giving any opinion about the data.
- ✿ The content of the IM very with the nature of syndication.

4.5.5 Content of the Information Memorandum

- ✿ Disclaimer.
- ✿ Borrowers letter granting authority to release the IM.
- ✿ Summary terms and conditions.
- ✿ History and business of the borrower.
- ✿ Industry review.
- ✿ Business strategy highlights.
- ✿ Details of management and management structure.
- ✿ Financial information on the borrower including public debt rating.

4.5.6 Syndicated Loan Documentation

- ✿ Facility Agreement
- ✿ Pari Passu Security Sharing Agreement
- ✿ Escrow Account Agreement
- ✿ Agreement for Assignment of Insurance
- ✿ Agreement for Assignment of Contract
- ✿ Projects Funds and Share Retention Agreement
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4.5.7 Scenario of Bangladesh

- ✿ Foreign banks controlled the syndicated loan market as lead arrangers until 2000.
- ✿ Bangladesh's syndicated loan market is growing fast, as more private local banks in a group have come forward to lend different organizations because of the less risk in such banking product, according to bankers.
- ✿ The market is also being diversified as the lenders are no more an exclusive club of well-capitalized foreign banks.
- ✿ As a lead arranger, Prime Bank alone has raised Tk 1,100 core in less than 10 years in syndication market
- ✿ Eastern Bank has arranged Tk 380 core through five syndication deals in 2008. The figure was only Tk 80 core involving only two deals in 2007.
- ✿ AB Bank arranged a syndicated loan worth Tk 216 core in just two deals in 2008.
- ✿ Of the other major local banks, Dhaka Bank, BRAC Bank and Mutual Trust bank also raised around Tk 100 core each in 2008.

4.5.8 Features of Syndicated Loan

- ✿ Larger loan amount than bilateral loan
- ✿ The borrower could be
 - A corporation
 - A large project
 - Government
- ✿ The interest rate could be fixed for term of the loan or floating based
- ✿ More than two banks act as lender.

4.5.9 Meet the Basic Needs

- ✿ The syndicated market formed to meet basic needs of lenders and borrowers, specifically:
 - Raising large amounts of money,
 - Satisfying relationship banking,
 - Obtaining large working capital quickly and efficiently,
 - Spreading risk for large credits amongst banks

- Gaining attractive pricing advantages.

4.5.10 Benefits Of Syndication

BORROWER'S PERSPECTIVE

- ✿ Dealing with a single bank
- ✿ Easier to raise from capital market
- ✿ Easy documentation
- ✿ Structured facility

LENDER'S PERSPECTIVE#







- ✿ Risk diversification
- ✿ Meeting regulatory and internal policy requirement
- ✿ Diversification across customer and industry
- ✿ Strength of togetherness

4.6 Analysis and Findings







4.6.1 SWOT Analysis

SWOT is an abbreviation of strengths, weaknesses, opportunities and threats. These are key areas that need to be examined before anything else is done. Strengths and weaknesses are linked with the performance of the organization and are internal in nature while opportunities and threats arise from the prevailing external environment. SWOT need to be known so that the organization can avoid over-estimating its capacities, or under-utilizing them. It helps to take advantage of possible opportunities and adopt precautionary measures against possible threats, thus reducing the chances of mistakes and improving the possible of profit maximization. SWOT analysis gives organizations a better understanding of what needs to be done, what to prepare for, what needs to be maintained and most important of all an insight on their current position or status.

Strengths:

-  UCBL has a strong Human resource.
-  UCBL has a wide coverage all over the country.
-  UCBL has widest product suits, which includes various deposit, saving Scheme, various loan etc.
-  Experienced and well organized top and mid level management.
-  Improvements in the performance in the recent years.
-  Innovative products and services.

Weaknesses:

-  Lesser degree of flexibility in sales and service in compared to competition.
-  HR policy not attractive enough to attract meritorious entries.
-  Some Officers are not well trained
-  In UCBL there is lower marketing and promotional activities.
-  UCBL has no own ATM booth
-  Bureaucratic complexities within the organization which leads to time consuming decision making process.

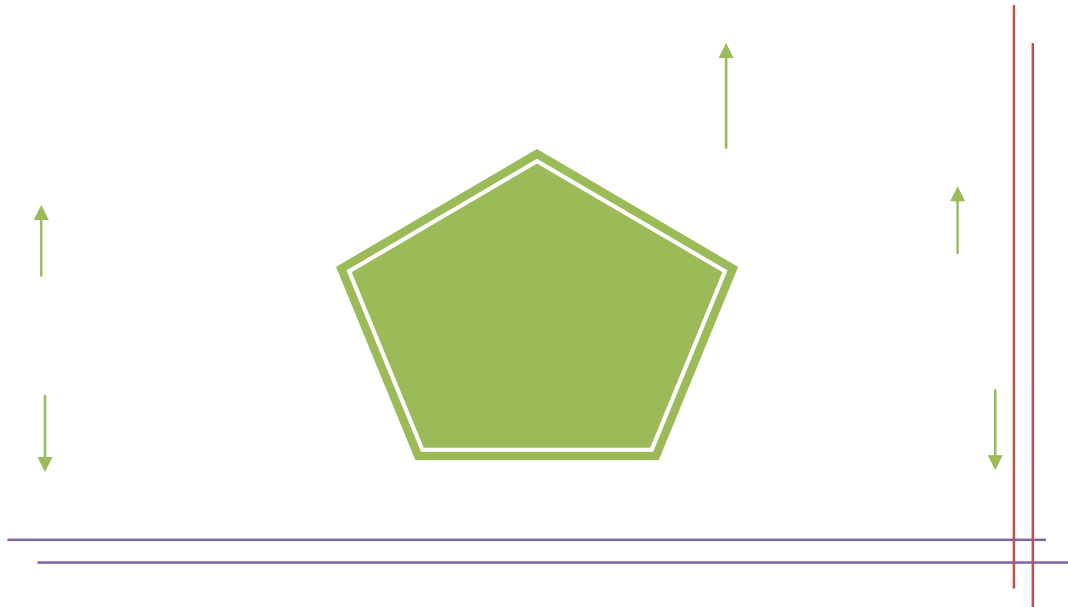
Opportunities:

- ✿ UCBL can introduce more consumer banking products including credit cards.
- ✿ UCBL can provide service to all level of consumers through its branch Network
- ✿ UCBL can do Credit financing through its broad branch network.
- ✿ Using internet and e-commerce technologies to cut costs.
- ✿ Utilizing existing skills and know-how to enter new financial services.
- ✿ Opportunities in Information Technology.

Threats:

- ✿ Envisaged currency devaluation and shortcomings in foreign currency availability may impact on foreign currency exposure of the bank
- ✿ Excessive competition from other private & government banks, use of modern concepts and technologies in banking by competitors.
- ✿ Technological changes that undermine the bank's products and services.
- ✿ Government's new rules and regulations.
- ✿ Pressure from govt. to reduce lending rates.

4.7 Porter Five Factors Model



Threat of New Entrants:

The threat of new entrants is high as there more banks are coming up to satisfy customer. The number of banks is increasing at a faster pace for the last 4 to 5 years. Moreover, local banks like Eastern Bank, Datch Bangla Bank and Bangladesh Commerce Bank started their operations in Bangladesh with a view to market share. The banking sector in Bangladesh is under consolidation and strong competition and is expected to continue to do so in the next few years. Because of the threat of potential entrants is high.

Bargaining power of suppliers and customer:

The bargaining power for individual customer and corporate customer is very different. The main reason behind it is that the deposit of an individual customer is very insignificant compared to the total amount of deposit in UCB, and exercise strong bargaining power to receive special rates from the Bank. UCB is currently improving market position in providing wide range of banking services as result of that they have strong strategic advantage. Depositors are considered to be the suppliers of the bank .They are thousands of depositors from all walks of life. There are businessmen, service holders, farmers, student and people from virtually any other professions who are depositors of the banks. Big amount depositors have strong power in determining interest rate of their deposits. Creditors are considered to be the buyers of the banks. There are thousands of creditors from all walks of life. Mainly businessmen are the major buyer of Banks credit. Big amount creditors have strong powers in determining interest rate of their credit amounts. Banks distinguish their prime customers form others by setting a prime interest rate for them So currently the bargaining power of Buyers(customers) is low and the bargaining power of the Suppliers(banks) is moderately high.

Threat of Substitute Services:

Various financial institutions are coming up to provide financial services in Bangladesh. They are coming up with various services, which might act as a replacement for the banking services. But these institutions will take time to establish. So threat is absent in the short or medium term. There are substitute financial institutions that do many of the activities and transactions of a bank in the leasing field but these financial and leasing institutions' are too small in size. These institutions can shrink the profit margin of commercial banks. Industrial Leasing and Development Company Ltd. (IDLC), Industrial Promotion and Development Corporation (IPDC), United Leasing Company are the key players. They provide industrial leasing to many companies in the country.

Rivalry among Established Companies:

Although in the U.S., merchant banks offer a wide range of activities, including portfolio management, credit syndication, acceptance credit, counsel on mergers and acquisitions insurance, etc, in case of our country, these services may differ. In Bangladesh, a merchant bank can perform multiple operations including underwriting, issue management, portfolio management, merger & acquisition etc. The merchant banking activities were largely fostered by two distinct developments: Merger & acquisition activities and increased demand for venture capital. There are more than 50 merchant banks in the market, which are constantly fighting for the share in the market. Among the Bangladesh, operating quite aggressively which can be a severe threat for the other banks. Merchant banks were allowed to operate with the hope of playing a meaningful role in salvaging the country's limping stock market, by generating fresh funds, following the 1996 stock market crash. So far, a total of 52 companies received merchant banking licenses from the Securities and Exchange Commission. Among them only the first 42 companies are performed as full-fledged merchant banking.

5.1 Recommendations

UCBL is a well established bank and operating their business for a very long time of period. Therefore, it is very tough to recommend on any aspect of the company. However, as it is the requirement of the report so I have come up with few recommendations, after conducting the research. They are as follows:

- ✿ After every training each employees should be evaluated by the trainer, so that the SFD get a chance to know how much attentive the participant was during the training. A short exam can be taken to find evaluate this. Later, this evaluation will help to find out how effectively the participants of that training working in their workplace.
- ✿ More training materials should be provided to the participants for better understanding.
- ✿ On-the-job training should be given more importance like it has been given in the training institute.
- ✿ Trainings should not be more than 3 days, because most of the participants do not get motivation to do training for 5 days long.
- ✿ Employees should be motivated to do the training; no one shall be forced to attend training.

5.2 Conclusion

The banking sector of Bangladesh is passing through a tremendous reformation under the economic irregularities and opening up of the economy. Currently this sector is becoming extremely competitive with the arrival of new local banks.

Private Commercial Banks are playing a vital role in the development of our economy. But the Govt. and Bangladesh Bank are playing a crucial role to the private commercial banks through imposition of deposit restriction, leading role or other operations. In recent years of banking business, United Commercial Bank Limited is undoubtedly ahead than the other 1st generation banks.

It was a great opportunity for me to do my internship program in esteemed organization like United Commercial Bank Limited. Though the practical orientation was for a limited time span of three months, as far as my concern it provides me a wide range of scope to observe the operation of a bank.


The main purpose of the report was to discuss the Syndication Loan of United Commercial Bank Limited as comprehensively as possible. The allotted time span was too narrow to know elaborately about such a vital topic but it was supportive to understand and gather an initial experience. I am confident that my internship program at United Commercial Bank Limited will definitely help me to realize my future career in the job market.

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